

Corporate Governance and Audit Committee

Annual Report
2023-2024



Foreword

I am delighted to introduce the annual report of the Corporate Governance and Audit Committee, summarising the contribution the committee made during the 2023-24 municipal year to the achievement of good governance, effective internal control, and strong public financial management within the council.

All members of the committee bring a balanced, independent, and objective approach to the business of the committee and I thank them for the contributions they have made. The committee has provided robust challenge and meaningful review of the council's arrangements for risk, governance, and audit, and has also:

- Overseen the production of the Annual Governance Statement
- Reviewed and approved the council's statutory accounts, subject to the completion of the external audit.
- Reviewed regular updates and formal reports from the council's external auditors, Grant Thornton.
- Received and reviewed regular counter fraud and corruption update reports.
- Received and reviewed, in detail, assurance reports on the key aspects of the council's internal control arrangements, including risk management, information governance and performance management, providing robust challenge to our arrangements and monitoring for areas in need of improvement.
- Provided oversight to the council's internal audit function, receiving the annual report and opinion alongside regular updates on progress against the internal audit plan; including follow-up in relation to limited assurance reviews.

The committee continues to work effectively with officers to understand and strengthen governance arrangements across the council, and to ensure that risks are escalated appropriately.

During the year, the committee has continued to use the cycle of internal control approach to officer reporting which was introduced in the 2020/21 municipal year; with continued focus on ensuring that governance arrangements are robust and there is appropriate democratic oversight.

The committee continues to adopt a varied work programme, receiving annual assurance reports to provide routine oversight of arrangements, as well as taking a flexible and agile approach, adapting to emerging issues and concerns as necessary.

M France-Mir

Cllr Mahalia France-Mir (Chair of the committee 2023-24)

Introduction

The overall aim of good governance is to:

Align the authority’s processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- Resources are directed in accordance with agreed policy and according to priorities.
- There is sound and inclusive decision making.
- There is appropriate stewardship of public assets and resources.
- There is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.

(CIPFA Audit Committees – Practical Guidance for Local Authorities and Police (2022))

Full council, as the body charged with governance, has delegated functions and responsibilities to Corporate Governance and Audit Committee through its terms of reference. This report provides assurance on the way in which the committee has discharged its role to support full council with this responsibility. In addition, the report underpins the Annual Governance Statement, which is provided to all Members and approved by the committee.

The report on the work of the Corporate Governance and Audit Committee demonstrates how the committee has:

- Fulfilled its terms of reference.
- Complied with national guidance relating to audit committees.
- Contributed to strengthening risk management, internal control, and governance arrangements.

Local Code of Corporate

Governance

The seven principles of the Local Code of Corporate Governance align with the principles set out by CIPFA in the Delivering Good Governance Local Framework 2016 edition which is the proper practice to which the council must adhere.

| | | | |
|--|---|---|--|
| <p>Behaving with integrity (Doing the right thing in the right way)</p> | | <p>Ensuring openness and engagement (Sharing information and inviting participation)</p> | |
| <p>Defining outcomes (Having realistic priorities for what we can and should achieve)</p> | <p>Determining effective interventions (Considering the options and taking informed decisions)</p> | <p>Managing risk and performance (Ensuring that we can implement our plans)</p> | |
| <p>Developing capacity (Getting the best out of our resources and our people)</p> | | <p>Effective accountability (Ensuring our processes are clear, robust, and open to review)</p> | |

It is expected that the principles will be read and understood in conjunction with our values which shape our behaviours and underpin the way in which we work to achieve our ambitions.

Committee Information

Role of the Corporate Governance and Audit Committee

The Corporate Governance and Audit Committee is appointed by council to support the discharge of its functions in relation to good governance by providing a high-level focus on audit, assurance, and reporting.

We recognise that our role as an audit committee is separate and distinct from the roles of the council's Scrutiny Boards. Scrutiny is concerned with the review of policy, its formulation and implementation. Audit operates to ensure that the governance and risk environment within the council is effective, and that financial management is fit for purpose.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022 sets out the purpose, model, core functions and membership of the audit committee. It is supported by the Department for Levelling Up, Housing and Communities and the Home Office. Whilst not a statutory requirement it is expected that local government bodies should adopt the practice and principles set out in the statement.

The terms of reference for the committee are reviewed regularly against current regulations, CIPFA's position statement and guidance for audit committees, and best practice in comparable authorities.

The core functions of the committee, reflected in its terms of reference are to:

- Consider the council's arrangements relating to the accounts.
- Consider the council's arrangements relating to external audit requirements.
- Review the adequacy of policies and practices to ensure compliance with statutory and other guidance.
- Review the adequacy of the council's corporate governance arrangements.
- Consider the council's arrangements relating to internal audit requirements.

Membership

For the 2023/24 municipal year, the committee comprised nine elected members and one non-voting independent member appointed to the committee. The table below sets out details of membership over the course of the year.

| Name of Member | Political Group. | Period of appointment |
|----------------------------|----------------------|-----------------------|
| Cllr M. France-Mir (Chair) | Labour | May 2023 to May 2024. |
| Cllr P Wray | Labour | May 2023 to May 2024. |
| Cllr J Dowson | Labour | May 2023 to May 2024. |
| Cllr G Almass | Labour | May 2023 to May 2024. |
| Cllr H. Bithell | Labour | May 2023 to May 2024. |
| Cllr J Heselwood | Labour | May 2023 to May 2024. |
| Cllr B Flynn | Conservative | May 2023 to Sep 2023. |
| Cllr T Smith | Conservative | May 2023 to Nov 2023. |
| Cllr S Firth | Conservative | Sep 2023 to May 2024. |
| Cllr M Robinson | Conservative | Nov 2023 to May 2024. |
| Cllr C Hart-Brooke | Liberal Democrats | May 2023 to May 2024. |
| Linda Wild | Co-opted Independent | Feb 2021 to Feb 2025. |

Independence of the Committee

As a council committee, members are appointed in accordance with the requirements for proportionality but, in-line with CIPFA guidance and best practice, strives for political neutrality.

Linda Wild was appointed as a non-voting independent member to the committee by council in February 2021. Her appointment was for a four-year term of office, renewable once. The introduction of an independent member to the committee has enhanced the independence of the committee as it discharges its functions. In addition, the professional audit experience and knowledge of this member gives depth and insight to the robust challenge the committee provides in considering the assurances received.

The audit committee should be established so that it is independent of executive decision making and able to provide objective oversight. It is an advisory committee that has sufficient importance in the authority so that its recommendations and opinions carry weight and have influence with the leadership team and those charged with influence.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022)

Knowledge and Skills Framework.

Members bring with them a range of knowledge and skills from their working life and roles as elected Members to the work of the committee. The skills and knowledge of elected members are further complemented by those of the independent member who brings her own wealth of knowledge, skill and experience in an audit setting and applies this to Leeds City Council.

In addition, the committee approved a programme of development to be undertaken during the year to ensure that new and existing members have the necessary knowledge, skills, and expertise to discharge the functions of the committee. Examples of the training received by members of the committee are:

- Counter fraud and corruption online training. This training directed to officers aims to raise awareness of the fraud risks facing the council and what we are doing to address these. The training includes 3 modules: Fraud; Bribery & Corruption; and Roles & Responsibilities and includes scenarios to help 'bring to life' the fraud risk. Information is also included on the whistleblowing policy and other key council policies & procedures.
- A remote risk management workshop, led by the council's Intelligence and Policy Manager with responsibility for risk, covered key areas such as: what do we mean by the terms "risk" and "risk management"; the benefits of risk management; where the risks come from; how the council's risk arrangements operate; where risk is reported to; and an overview of the corporate risk register. The session also included a discussion on some real-life risk examples, how they arose and what the consequences were.
- Representatives from Grant Thornton, external audit, presented members with a workshop providing sector specific updates, explaining the role of external audit in local government, a review of financial reporting and external audit and the external audit requirements arising from the new value for money arrangements.
- Members received an overview and detailed explanation of the council's accounts prior to this item being received at committee to ensure that members were satisfied with the accounting methodology used and had all relevant information available to approve the accounts as required.

The committee has approved a development programme for the 2024/25 municipal year to support and enhance consideration of the matters set out in the forthcoming work programme.

Operation of the committee.

The committee met on six occasions during the year with meeting dates structured around the statutory requirements for production and publication of the statutory accountability statements¹; external and internal audit reporting cycles; and receipt of annual assurance reports.

The frequency of meetings ensures the committee can fulfil its responsibilities in an efficient and effective way and has been benchmarked against the CIPFA recommended practice and arrangements in other local authorities.

During 2023-24, all committee meetings were held in person and open to both press and public. In addition, meetings were live-streamed, and recordings made available to provide access to for those who are unable to attend in person.

The committee is supported by several council officers who attend regularly and bring expertise in relation to corporate governance, internal audit, finance, legal compliance, risk and resilience and information governance.

Committee Business

The work undertaken by the committee fulfils the expectations of CIPFA's position statement as interpreted through the committee's terms of reference and supports the consideration and approval of the annual governance statement and accounts.

Audit committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk, and control arrangements. The committee's role in ensuring that there is sufficient assurance over the governance, risk, and control, gives greater confidence to all those charged with governance and those arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports; helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

CIPFA's Position Statement: Audit Committees in Local Authorities and Police (2022)

A complete list of the reports received at committee during 2023-24 can be found at Annex 1 to this report.

The Accountability Statements

The council has delegated to the Committee the authority to approve the council's Annual Governance Statement and the audited Statement of Accounts in accordance with the Accounts and Audit Regulations 2015.

¹ Accounts and Annual Governance Statement (AGS) produced and published in accordance with the Accounts and Audit Regulations 2015 (as amended)

Internal Control and Annual Governance Statement (AGS)

The committee has oversight of the statutory annual review of internal control which has been improved by the receipt of a governance framework and assurance map.

We considered the interim AGS in July 2023, prior to its publication for the formal period of public consultation and went on to approve the council's updated and final AGS 2023 in September. The final AGS was supported by consideration of the governance framework and assurance map; the Head of Internal Audit's Annual Opinion 2023, the draft external auditor's opinion and conclusion for the 2021/22 accounting period, and the peer review conducted in November 2022.

Accounts

The committee has worked with the Chief Finance Officer and external auditor to understand the industry wide delays with local government audit. There is clear progress, and officers in the financial service and audit team are to be commended on the way they have worked together to close the 2021/22 accounts with a completed audit. We are confident that this efficient and effective relationship will continue into future audits.

We have received the value for money report, and the ICT audit for the 2022/23 accounting period and we look forward to receiving the external audit plan to deliver closure of the 2022/2023 accounts prior to the 30th September 2024 backstop introduced by the draft Accounts and Audit (Amendment) Regulations 2024².

External Audit

Grant Thornton UK LLP are the council's current appointed external auditor having been appointed by the PSAA³ for the audit of the statutory accounts for financial years 2018/19 to 2022/23.

The committee plays a significant role in overseeing the council's relationship with the external auditors and takes an active role in reviewing the external audit plan, progress reports, and the annual report setting out the findings of the Value for Money review. We are pleased to see that the Chief Finance Officer has regular meetings with the external auditor. These are further complemented by meetings with the chair of committee.

Following the most recent PSAA appointment round, Grant Thornton have been appointed as the council's external auditor for the five

Financial Sustainability

The Council has a robust and consultative approach to setting its annual budget, Medium Term Financial Strategy (MTFS) and annual savings plan. It has clear and transparent financial reporting and a strong grasp of the financial challenges it faces. Like many other local authorities, however, the Council faced significant financial pressures moving into 2022-23 and overspent its revenue budget by £12.4m (2.4% of the Council's Net Revenue Budget) causing it to draw on its Strategic Contingency Reserve.

² Consultation in relation to the draft regulations closed on 7th March 2024.

³ Public Sector Accounts Appointment Limited – a sector led procurement process.

Governance

The Council has a sound internal control environment and despite a degree of turnover in recent years, its Corporate Governance and Audit Committee, supported by Internal Audit, exercises appropriate oversight and challenge. The Council maintains clear processes that reinforce good behaviours and working relationships; and maintain high standards of conduct. Its processes for identifying and reporting strategic risks are appropriate, though we raise an improvement recommendation to increase the frequency and utility of strategic risk reporting to the Executive Board.

We look forward to continuing to work with Grant Thornton considering the responses of management to audit recommendations and ensuring that appropriate actions are agreed and implemented.

accounting periods from 2023/24. A new engagement lead will take over the relationship to ensure that the external auditor retains the independence required. Introductions have taken place to ensure that the engagement lead continues to have direct access to the Chief Finance Officer and to the chair of the committee to ensure an effective working relationship.

Improving Economy, Efficiency and Effectiveness

The Council's performance reporting reflects the fact that 2022-23 a transitional year following its adoption of the Best City Ambition in 2022. Its partnership working is an area of strength with clear evidence of active involvement in partnerships to improve outcomes for the people of Leeds.

Interim auditor's annual report 2022-23 VFM arrangements, considered by CGAC November 2023

Internal Control and Risk Management

While a range of internal controls are essential, the audit committee should be conscious that too many controls could result in greater inefficiency or ineffectiveness in an operation. Controls may also become outdated or otherwise no longer fit for purpose. Introducing new controls may incur additional costs or other resources. The committee should strive to ensure that the authority has an appropriate level of internal control linked to the authority's attitude to risk.

CIPFA's Audit Committees: Practical Guidance for Local Authorities and Police (2022)

The committee has received a series of assurance reports providing an understanding of the key controls in the council's internal control framework. These reports provide assurance that these controls are documented and defined; clearly communicated; effectively embedded; meaningfully monitored; and reviewed and refined. This cycle of internal control provides for the continuous improvement of arrangements, which realistically reflect the prevalent control environment and respond proportionately to risk.

We are careful to provide robust examination of the controls in place, particularly seeking assurance that they are efficient and effective. We also seek evidence of continued improvement and have found the survey of internal control a useful tool to provide evidence that controls are both understood and proportionately applied at an operational level.

Internal Audit

The committee works closely with the internal audit function, both overseeing the independence and effectiveness of the service and receiving assurance from the service as to the adequacy and effectiveness of the council's internal control environment. We have been pleased to welcome Jonathan Foster as the Senior Head of Audit, Corporate Governance, and Insurance, and note the regular meetings that take place with the chair of committee to support the effective operation of the internal audit function.

The 2022/2023 annual opinion was received by the committee in July 2023. The committee was satisfied that the work undertaken to support the opinion has been conducted in accordance with an established methodology that promotes quality and conformance with the International Standards for the Professional Practice of Internal Auditing

The committee has received and considered regular reports from Internal Audit throughout the year providing updates on progress against the 2023/2024 internal audit plan, and the service's counter fraud and corruption function, which we expect to support the annual opinion for 2023/2024 which is programmed for July 2024.

We have worked closely with the Internal Audit function to develop and integrate recommendation tracking, noting the responsibility on directorates to record implementation of improvement actions as detailed in review reports.

Chief Audit Executive Opinion for 2022/23

The combination of audit work, including specific assurance reports and other auditing activities undertaken for the delivery of the 2022/23 internal audit plan, leads to a conclusion that the internal control environment (including the key financial systems, risk, and governance) is well established and operating effectively in practice.

Audits have highlighted a range of opportunities to further strengthen the control environment and we have worked with services to foster a culture of continual reflection and improvement. Where these audits have resulted in 'limited assurance' opinions, and we have highlighted weaknesses that may present risk to the council, we have agreed recommendations to further improve the arrangements in place and we have developed a process for tracking implementation. Whilst limited opinions have demonstrated the robust challenge that the internal audit function offers to the individual system areas that have been reviewed, the weaknesses identified are not material enough to have a significant impact on the overall opinion on the adequacy of the council's governance, risk management and control arrangements at the year end. We have continued to draw assurances from our role in providing challenge offered across a number of key programmes and projects across the authority. As a result, a satisfactory overall opinion is provided for 2022/23, based on the audit work detailed within this report, including both a range of audits and other value-adding activities.

The committee has reviewed and agreed the annual risk-based audit plan for the 2024/2025 year in March 2024. We noted a more agile approach to the plan and have invited officers to share the risk profile against which work is prioritised so that we are able to discharge our core function in ensuring that risk management arrangements are effectively embedded across the authority.

Looking Forward

The committee has approved the work programme for the 2024/2025 municipal year setting out the receipt of regular update reports and annual assurance reports.

Through the continuing receipt of regular reports, the committee will provide the usual level of robust challenge to corporate governance and audit practice and procedure across the authority to ensure that our arrangements are up to date, fit for purpose, communicated, embedded, and routinely complied with.

In addition to the routine business, the committee have requested specialised assurance reports in relation to:

- Governance arrangements to support the core business transformation (CBT) project.
- The mid-year update report confirming progress against the action plan established in response to the Information Commissioner's Office (ICO) review in December 2023.

The work programme will be the subject of regular review and the committee will remain flexible in its approach, to accommodate additional items within its remit as they emerge. We look forward to championing good governance, while working closely with the council's oversight and scrutiny function to avoid duplication whilst ensuring that there are no gaps in our collective and proportionate coverage of the council's arrangements.

Annex 1: Corporate Governance and Audit Committee activity 2023/2024

| Committee Meeting | June 2023 | July 2023 | Sept 2023 | Nov 2023 | Feb 2024 | March 2024 |
|---|----------------|-----------|----------------|-----------------|-----------------|------------|
| Statutory Business | | | | | | |
| Statement of Accounts 21/22 | | | | | | Approval |
| Statement of Accounts 22/23 | | Draft | | | | |
| Annual Governance Statement 2023 | | Interim | Approval | | | |
| External Audit Reports | | | | | | |
| Interim Audit Findings Report 2021/22 | | Interim | | Updated Interim | | Final |
| Receipt of External Auditors ICT Report 2022/23 | | | | X | | |
| Annual report including Value for Money (VfM) Findings 2022/23 | | | | X | | |
| Update report on Government proposals to address the national audit backlog and Grant Thornton's response and update on the Audit 2021-22 | | | | | X | |
| Internal Audit Reports | | | | | | |
| Internal Audit update reports | Jan-Mar 2023 | | Apr – Aug 2023 | | Sept – Dec 2023 | |
| Counter Fraud and Corruption Update reports | Oct – Mar 2023 | | | | Apr – Dec 2023 | |
| Internal Audit Annual Report and Opinion 2022/23 | | X | | | | |
| Internal Audit Plan 2024/25 | | | | | | X |
| Operational and Specialist Assurance reports | | | | | | |
| Planning Decision Making and Enforcement Arrangements | | | X | | | |
| Decision Making | | | X | | | |
| Procurement | | | | X | | |

| Committee Meeting | June 2023 | July 2023 | Sept 2023 | Nov 2023 | Feb 2024 | March 2024 |
|--|------------------|------------------|------------------|-----------------|-----------------|-------------------|
| Corporate Performance Management Arrangements | | | | X | | |
| Risk and Resilience Arrangements | | | | X | | |
| Operational and Specialist Assurance reports (continued) | | | | | | |
| Financial and Treasury Management | | | | X | | |
| Integrated Digital Services (IDS) Governance | | | | | X | |
| Joint Annual Report on Information Governance from DPO and Caldicott Guardian | | | | | X | |
| Employment Policies and Employee Conduct | | | | | | X |
| Civica CX (Housing) System Interfaces and Integration | X | | | | | |
| Additional reports received in accordance with Committee's terms of reference | | | | | | |
| Annual report of Corporate Governance and Audit Committee to Full Council 2022-23 | Committee | | Council | | | |
| Corporate Governance and Audit Committee Work Programme | X | X | X | X | X | X |
| Corporate Governance and Audit Committee – Member Development 2024-25 | | | | | | X |